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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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FORM 10-Q

RECD S.E.C.
MAY 8 1992
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(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1992

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

PROCESSED BY
MAY 12 1992

Commission file number 0-5228

STRATEGIC DISTRIBUTION, INC

(Exact name of registrant as specified in its char

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Delaware	22-1849240
(State or other jurisdiction of incorporation or organization)	(I. R. S. Employer Identification No.)
165 Mason Street, Greenwich, CT	06830
(Address of principal executive offices)	(Zip Code)

203-629-8750

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ____

Number of Common Shares outstanding at May 6, 1992: 12,125,119.

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STRATEGIC DISTRIBUTION, INC. AND SUBSIDIARY

Consolidated Balance Sheets

Assets	March 31, 1992 (unaudited)	December 31, 1991
Current assets:		
Cash and cash equivalents	$ 1,416,547	$ 257,934
Accounts receivable, net	3,264,889	2,633,630
Proceeds due from life insurance policy		1,000,000
Inventories	2,756,521	2,858,321
Prepaid expenses and other current assets	114,174	169,177
Total current assets	7,552,131	6,919,062
Property and equipment, net	689,728	641,400
Excess of cost over fair value of net assets acquired	1,233,559	1,241,921
Other assets	247,676	253,207
Total assets	$ 9,723,094	$ 9,055,590
Liabilities and Stockholders' Equity		
Current liabilities:		
Note payable	$ 2,909,000	$ 3,083,000
Accounts payable and accrued expenses	3,594,968	2,747,555
Current portion of long-term debt	50,869	52,194
Net liabilities of discontinued operations	234,896	264,896
Total current liabilities	6,789,733	6,147,645
Long-term debt	100,736	113,376
Subordinated debt	56,250	56,250
Total liabilities	6,946,719	6,317,271
Stockholders' equity:		
Common stock, par value $.10 per share. Authorized 25,000,000 shares, issued and outstanding 12,125,119 shares.	1,212,512	1,212,512
Additional paid-in capital	9,824,780	9,824,780
Accumulated deficit	(8,210,917)	(8,248,973)
Note receivable from sale of stock	(50,000)	(50,000)
Total stockholders' equity	2,776,375	2,738,319
Total liabilities and stockholders' equity	$ 9,723,094	$ 9,055,590

See accompanying notes to consolidated financial statements.

STRATEGIC DISTRIBUTION, INC. AND SUBSIDIARY

Consolidated Statements of Operations

(unaudited)

	Three Months Ended March 31,	
	1992	1991
Revenues	$ 7,207,622	$ 6,005,175
Cost of sales	5,255,709	4,357,211
Gross profit	1,951,913	1,647,964
Selling, general and administrative expenses	1,901,995	1,565,499
Operating income	49,918	82,465
Interest expense (income):		
Interest expense	54,989	81,425
Interest (income)	(13,127)	(5,133)
Interest expense, net	41,862	76,292
Income from continuing operations before income taxes	8,056	6,173
Income taxes	3,000	2,000
Income from continuing operations	5,056	4,173
Income from discontinued operations (net of taxes of $10,000)	20,000	
Income before extraordinary credit	25,056	4,173
Extraordinary credit - utilization of operating loss carryforward	13,000	2,000
Net income	$ 34,056	$ 6,173
Net income per common share:		
Income from continuing operations	$ -	$ -
Income from discontinued operations	-	
Income before extraordinary credit	-	-
Extraordinary credit	-	-
Net income	$ -	$ -
Average number of shares of common stock outstanding	12,125,119	12,125,119

e accompanying notes to consolidated financial statements.

STRATEGIC DISTRIBUTION, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

(unaudited)

	Three months ended March 31,	
	1992	1991
Cash flows from operating activities:		
Net income	$ 38,056	$ 6,173
Adjustments to reconcile net income to net cash provided by operating activities-		
Depreciation and amortization	42,245	30,686
Changes in operating assets and liabilities, net of effects of acquisition:		
Accounts receivable	(631,259)	(321,639)
Proceeds due from life insurance policy	1,000,000	
Inventories	101,800	65,308
Prepaid expenses and other current assets	55,003	(25,311)
Accounts payable and accrued expenses	847,413	262,972
Other, net	29,790	15,816
Net cash provided by operating activities	1,483,048	34,005
Cash flows used in investing activities:		
Acquisition of business, net of cash acquired		(87,692)
Additions of property and equipment	(106,470)	(65,441)
Net cash used in investing activities	(106,470)	(153,133)
Cash flows from financing activities:		
Proceeds from (repayment of) note payable	(174,000)	139,613
Repayment of long-term obligations	(13,965)	(9,347)
Net cash provided by (used in) financing activities	(187,965)	130,266
Net cash used in discontinued operations	(30,000)	(7,758)
Increase in cash and cash equivalents	1,158,613	3,380
Cash and cash equivalents, at beginning of the period	257,934	421,315
Cash and cash equivalents, at end of the period	$ 1,416,547	$ 424,695
Supplemental cash flows information-		
Interest paid	$ 57,071	$ 153,920

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. The accompanying unaudited consolidated financial statements include the accounts of Strategic Distribution, Inc. and subsidiary (the "Registrant"). These financial statements have been prepared in accordance with the instructions to Form 10-Q. All adjustments which in the opinion of management are necessary for a fair presentation of the results of operations for the three months ended March 31, 1992 and 1991 have been reflected. All such adjustments are of a normal recurring nature. The statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Registrant's annual report on Form 10-K for the year ended December 31, 1991.

2. Inventories (FIFO basis) consist of the following:

	March 31, 1992	December 31, 1991 (audited)
Finished goods	$2,708,572	$2,805,972
Material and supplies	47,949	52,349
	$2,756,521	$2,858,321

Item 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

The Registrant distributes a variety of safety products to industrial and commercial customers from several locations across a fourteen state area in the western United States.

Results of Operations

The following table of revenues and percentages sets forth selected items of the results of operations.

	Three Months Ended March 31,	
	1992	1991
Revenues	$7,207,622	$6,005,175
	100.0%	100.0%
Cost of sales	72.9%	72.6%
Gross profit	27.1%	27.4%
Selling, general and administrative expense	26.4%	26.1%
Operating income	.7%	1.3%
Interest expense (net)	.6%	1.2%
Income from discontinued operations (pretax)	.4%	
Net income	.5%	.1%

Revenues for the three months ended March 31, 1992 increased 20.0% to $7,207,622 from $6,005,175 in 1991. Internal growth, including new branches, accounted for this increase.

Cost of sales as a percentage of revenues increased to 72.9% for the three months ended March 31, 1992 from 72.6% for the comparable period in 1991. The primary reason for the increase was lower margins of the new branches and new business.

Selling, general and administrative expenses as a percentage of revenues increased to 26.4% for the three months ended March 31, 1992 from 26.1% for the comparable period in 1991. The increase resulted primarily from expenses for new sales and marketing programs and branch expansion.

Interest expense (net) decreased by $34,430 to $41,862 for the three months ended March 31, 1992 from $76,292 in 1991. The decrease resulted primarily from a lower effective borrowing rate and an increase in interest income.

Income from discontinued operations (pretax), which was .4% of revenues for the three months ended March 31, 1992, relates to the Registrant's previous decision to dispose of its information services business and represents a current valuation of certain lease obligations.

Net income for the three months ended March 31, 1992 was $38,056 as compared to net income of $6,173 for the comparable period in 1991. This change was primarily the result of the items previously discussed.

Liquidity and Capital Resources

The Registrant's SafetyMaster Corporation subsidiary ("SafetyMaster"), has a bank credit facility of $5,000,000 expiring on June 30, 1992, of which $2,909,000 was borrowed as of March 31, 1992. Under the credit facility, SafetyMaster is restricted from paying any dividends to the Registrant other than quarterly payments equal to SafetyMaster's tax liabilities attributable to SafetyMaster's taxable income calculated on a stand alone basis. SafetyMaster may pay such dividends regardless of whether the Registrant has any tax liability, and it is expected that the Registrant's federal income tax payments will be immaterial for a period of time because of the Registrant's net operating loss carryforward. The credit facility is collateralized by substantially all of SafetyMaster's assets (net book value of approximately $7,961,000). The Registrant believes it will be able to refinance the credit facility with either the current lender or a new lender.

The Registrant believes that cash on hand, cash generated from operations and cash from the credit facility will generate sufficient funds to permit the Registrant to meet its liquidity needs for the foreseeable future.

The Registrant has stated its intention to seek further acquisition opportunities. If the Registrant is able to identify satisfactory acquisitions, the source of funds for such acquisitions will be internally generated cash and cash from future borrowings or sales of equity. There is no guarantee that the Registrant would be successful in raising funds from internally generated cash, through borrowings or through sales of equity.

PART II

Item 6.

EXHIBITS AND REPORTS ON FORM 8-K

(a) None.

(b) None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

STRATEGIC DISTRIBUTION, INC.

Date: May 8, 1992

By: _____
Andrew M. Bursky,
Chairman of the Board

Date: May 8, 1992

By: _____
Catherine B. James,
Executive Vice President
and Chief Financial Officer